



Tools To Revitalize California Communities

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California Debt and Investment
Advisory Commission

USING GOVERNMENT
GRANTS AND PROGRAMS TO
FUND GREYFIELD PROJECTS

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Mission of the California Debt and Investment Advisory Commission....

- "To improve the practice of public finance in California by providing responsive and reliable information, education and advice."

How does CDIAC meet this mission?

CDIAC:

- Serves as California's statistical clearinghouse for public debt issuance data
- Publishes a monthly newsletter on topical debt and investment matters (*DEBT LINE*)
- Produces timely and pertinent policy research reports and issue briefs
- Conducts ongoing educational programs for state and local officials
- Responds to public finance-related inquiries

CDIAC expands its focus to community economic development

- Natural adjunct to monitoring the fiscal strength of California communities
- Focusing on the state's infrastructure needs
- Focusing on increasing the expertise in the area of community revitalization
- Meeting the demand in projected population growth

Tools to Revitalize California Communities

- Loans and Grants
- Equity Financing & Targeted State Investments
- Programs offered through debt authorities for specific purposes:
 - brownfield remediation and redevelopment
 - pollution control financing
 - small business financing
 - affordable housing
 - health facility financing
 - industrial development financing
 - school financing

Housing Programs

- **Tax-Exempt Private Activity Bond Debt Limit Allocation**
 - Administered by the California Debt Limit Allocation Committee (CDLAC)
 - Maximum issuance amount for year 2002 is \$2.577 billion
 - Agencies and organizations authorized to issue tax-exempt private activity bonds or mortgage credit certificates must receive an allocation from CDLAC
 - Programs eligible for the issuance of tax-exempt private activity bonds include:
 - Extra Credit Teacher Home Purchase Program:
 - Program qualifies teachers and principals who commit to serve in designated low performing schools for tax credits or reduced interest rate loans to purchase a home

Housing Programs continued...

■ Tax-Exempt Private Activity Bond Debt Limit Allocation

- Programs eligible for the issuance of tax-exempt private activity bonds include:
 - Multifamily Rental Housing
 - Allows State and local agencies to issue tax-exempt housing revenue bonds
 - Bonds assist developers of multifamily rental housing units in acquiring land and constructing new projects or purchasing and rehabilitating existing units
 - Single-Family Housing
 - Allows State and local agencies to issue mortgage revenue bonds to fund mortgages for homebuyers
 - State and local agencies may issue a mortgage credit certificate that can assist homebuyers in reducing their federal tax liability

■ Executive Director, Laurie Weir, (916) 653-3255

Housing Programs continued...

- Federal and state tax credits for the construction and rehabilitation of affordable rental housing:
 - Administered by the California Tax Credit Allocation Committee, this program gives priority to projects in struggling neighborhoods where housing is part of a comprehensive revitalization effort.
 - Encourages private investment in rental housing for low- and lower-income families and individuals
 - Tax credits can be allocated to new construction projects or for the acquisition and rehabilitation of certain projects
- Executive Director, Jeanne Peterson (916) 654-6340

Housing Programs continued...

- California Urban Real Estate (CURE) Investments
 - Administered by the California Public Employees Retirement System (CalPERS)
 - Invests in California urban retail centers in predominately minority trade centers
 - The CURE program includes nine partners with a total of \$935 million allocated for California urban infill investments as of December 31, 2001
 - Eligible activities include residential, office, retail, entertainment, hotel, mixed-use projects, low income housing, multi-family low income housing, economic development or redevelopment and urban infill
- Julie Stewart, CalPERS Investment Officer (916) 326-3400

Ladera Shopping Center

Location: Los Angeles, CA
Project Type: Retail Center
Size: 185,000 square feet
CUIP Value: \$28 million
CUIP Equity: \$8 million equity
Demographics: 80% Minority
Status: Renovation recently completed.
Center 100% leased.



Bay Street Retail & Residential

Location: Emeryville, CA
Project Type: Mixed-use urban project regional retail center, 80/20 residential development

Size: 400,000 square feet of retail space, 365 units (284 rental units, 81 condos)

Partner: MadisonMarquette
Cost: \$250 million (City subsidy/tax credits)

Demographics: 57% Minority

Tenants include AMC Theater, Barnes & Noble, Gap tenants, national restaurants



Status: Retail is 82% pre-leased, Grand Opening Nov. 2002. Residential commence construction June 2002, Stabilization July 2004.

Sustainable Communities Grant & Loan Program

- Administered by the California Pollution Control Financing Authority (CPCFA)
- Awarded to 14 recipients in October 2002
- Up to \$500,000 in assistance (\$350,000 for a grant and \$150,000 for a loan) to assist cities and counties to develop and implement sustainable development growth policies, programs and projects.

Sustainable Communities Grant & Loan (SCGL) Program continued...

- Old Town Kern Baker Street Corridor (Bakersfield)
 - Received \$143,600 SGCL grant for planning funds to assist the city in a four phase planning process to revitalize the Baker Street corridor.
 - Phases include an assessment and analysis of demographic and market trends that are affecting the area; a community visioning process to outline resources available; creation of a “Strategic Action Plan”; and the implementation of General Plan revisions and zoning changes for land use problems
 - Strategic, community based effort to reverse a trend of businesses and residents abandoning a community

Environmental Site Assessment Financing

- Utilized California Pollution Control Financing Authority's (CPCFA's) \$125,000 CalReUse Program Loan
- Loan utilized for environmental site assessment to explore project feasibility of the MacArthur Bart Station Transit Village in Oakland
- Redevelopment of Bart Parking Lot for 400 to 800 new housing units, neighborhood-serving retail, community facilities, pedestrian plaza and expansion of on-site medical center
- Executive Director, Steven Sakarui (916) 654-6510

Small Business Financing

■ CalCap Program:

- Administered by CPCFA, the program offers lenders a mechanism to provide loans to small businesses that may not otherwise be able to get a loan (\$444 million in small business loans as of December 2001)
- CalCap funds a bank's loan loss reserve (the reserve maintained to cover potential loan losses) for small businesses seeking bank loans
- Loans can be used to finance the acquisition of land, construction or renovation of buildings, the purchase of equipment, other capital projects and working capital
- Offers incentive for lenders to loan to borrowers in severely affected communities and economically distressed geographic areas
- Executive Director, Steven Sakarui (916) 654-6510

Manufacturing Financing

- Industrial Development Bonds (IDBs)
 - Administered by the California Industrial Development Financing Advisory Commission
- American Modular Systems, Inc. manufacturer of modular classrooms for public school districts throughout California
- Utilized \$5 million in Industrial Development Bonds to construct a corporate administration building and manufacturing facility located next to a transit stop
- Project is located in the City of Manteca
- Anticipated created 115 new jobs within two years of project completion
- Without the benefit of the tax-exempt financing, the borrower would not have been able to finance the entire cost of the project, resulting in fewer jobs being created and a less efficient facility.

Manufacturing Financing continued...

- P&C Poultry - family-owned business that processes and distributes poultry to wholesale companies
- Located in Los Angeles, business had limited growth potential because of several plant locations and was unable to compete with other distributors
- Utilized \$2.5 million IDB and a subordinate loan of \$325,000 to purchase 1.5 acres of vacant land and construct a new facility to house a state-of-the-art food processing center
- Increased production from 40,000 to a million pounds of poultry a week and doubled its revenue while operating two shifts of employees
- Company has exceeded its hiring goals within two years of bond issuance
- Executive Director, Joanie Jones-Kelly, (916) 653-3843

Investments in California Communities

- Pooled Money Investment Account (PMIA) administered by the State Treasurer's Office
 - PMIA Portfolio composition currently totals approximately \$50 billion
 - Community Reinvestment Act Loans
 - \$1.3 billion in home loans made to low- and moderate-income Californians or in low- and moderate-income neighborhoods purchased since 1/1/99. The purchase of CRA loans provides new capital to lenders, stabilizes neighborhoods and increases home ownership
 - \$697 million on the portfolio as of 10/22/02.

Investments in California Communities continued...

- PMIA has increased deposits of state funds in California community banks to boost small business and home mortgage lending: \$50 billion portfolio composition
 - Since 1999 participating entities have increased from 35 to 124 and deposits have increased from \$1.9 billion to \$5.2 billion
- PMIA has invested approximately \$262 million in Small Business Loans in California to stimulate small business lending and creation in California communities.
- Assistant Director, Investment Division: Dan Dowell (916) 653-3147

A NEW PROGRAM IS BORN



In May 2001, the Investment Committee approved an initial allocation of \$475 million to 11 investment partners in a new investment vehicle called the **California Initiative Program**

Mission Statement

■ The California Initiative will **invest in traditionally underserved markets** primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or **not reviewed by other sources of investment capital**. These opportunities should offer **attractive risk-adjusted returns** commensurate with their asset class. While equity investments are a primary focus, synergistic investments involving real estate and/or debt will also be considered.

UNTAPPED ASSETS IN UNDERSERVED AREAS PROVIDE ATTRACTIVE INVESTMENT OPPORTUNITIES

Urban/Inner city



- Strategic location near business centers, transportation, etc.
- Large, diverse labor pool
- Attractive local consumer market demand
- Government incentives
- Favorable access to real estate

Rural



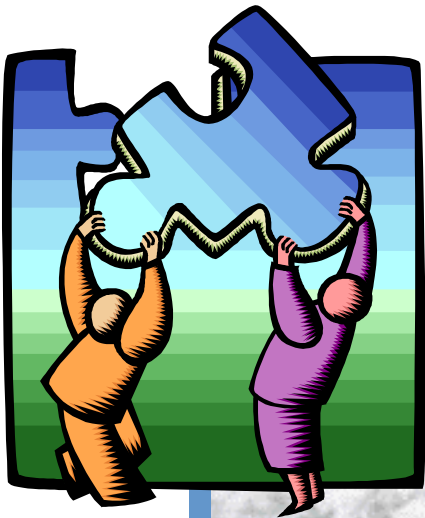
- Inexpensively priced land/office space
- Availability of full- and part-time, educated workers
- Lower cost of living environment
- Government incentives
- Recent technology and infrastructure developments that allow for convenient communication and access to information

CA INITIATIVE INVESTMENT MANAGERS HAVE EXPOSURE IN NORTHERN, CENTRAL AND SOUTHERN CALIFORNIA



| <u>Selected Managers</u> | <u>CA Office Locations</u> |
|-----------------------------------|-----------------------------------|
| American River Ventures | Sacramento |
| Bank of America* | SD, LA, SF |
| Draper Fisher Jurvetson | North Bay / Sacto |
| Nogales Investors | LA |
| Garage | Palo Alto |
| Green Equity Partners | LA |
| Levine Leichtman | LA, SF |
| Opportunity Capital | Fremont |
| Provender Capital | LA |
| Silicon Valley Community Ventures | SF |
| Yucaipa Companies | LA, SF |

* Bank of America has a network of 960 banking centers in California, with two major regional offices in San Francisco and Los Angeles



Tools To Revitalize California Communities

■ Fall 2003, Los Angeles

- One-day program with 64 speakers highlighting important economic development financing tools from the State Treasurer's Office, and other state and federal agencies
- Topics to be presented include:
 - Business and Job Creation - Bond Financing and Loan Programs
 - Creating Affordable Health Care
 - California Affordable Housing Programs
 - Technical Assistance Programs for Brownfield Sites
 - Private Equity Investment Programs
 - Urban Real Estate Development and Financing Programs

In addition to this conference, where can I learn more about these programs?

- *CDIAC's Tools to Revitalize California Communities Resource Guide*
- Join CDIAC for Tools to Revitalize California Communities Fall 2003 in Los Angeles!

To learn about future economic development programs....

- Access CDIAC's website at:
 - www.treasurer.ca.gov/cdiac
- E-mail CDIAC at:
 - cdiac@treasurer.ca.gov
- Call CDIAC at:
 - (916) 653-3269
- Fax CDIAC at:
 - (916) 654-7440